

Company Number 1718621

QUALITY BUILDING SERVICES LIMITED
REPORTS AND FINANCIAL STATEMENTS
31ST AUGUST 2002



**QUALITY BUILDING SERVICES LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002**

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QUALITY BUILDING SERVICES LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31ST AUGUST 2002

The directors present their report and the audited financial statements of the company for the year ended 31st August 2002.

Principal activities and business review

The main activity of the company is unchanged and is principally that of specialist works, refurbishment and fit out contractors.

The poor leadership evident in the company led to a restructuring of the Board during the year. With the support of the parent company and the re-emphasis of the Group culture, the business is on track for a return to profit in 2003.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

R M Kirkland

M S Sheldon

D Scorer

(Appointed 25th June 2002)

T Scott

(Resigned 28th January 2002)

None of the directors had an interest in the share capital of the company at the beginning or end of the year. R M Kirkland and M S Sheldon are directors of the parent company, Bowmer & Kirkland Limited, and their interests in shares are disclosed in the accounts of that company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 6 to 7, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

QUALITY BUILDING SERVICES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31ST AUGUST 2002

Auditors

A resolution to re-appoint Lings as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'MS Sheldon', with a stylized, cursive script.

M S Sheldon
Company Secretary

Approved by the directors on 24th February 2003

QUALITY BUILDING SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31ST AUGUST 2002

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st August 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Provident House
 51 Wardwick
 Derby
 DE1 1HN


 LING
 Chartered Accountants
 & Registered Auditors

24th February 2003

QUALITY BUILDING SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST AUGUST 2002

	Note	2002 £	2001 £
Turnover	2	22,515,169	25,517,323
Cost of sales		(23,502,901)	(24,283,876)
Gross (loss)/profit		(987,732)	1,233,447
Administrative expenses		(1,769,324)	(1,031,451)
Operating (loss)/profit	3	(2,757,056)	201,996
Interest receivable and similar income	6	8,400	43,462
Interest payable	7	(136,747)	(4,534)
Contribution receivable from another group company	8	2,598,404	—
(Loss)/profit on ordinary activities before taxation		(286,999)	240,924
Tax on (loss)/profit on ordinary activities	8	80,266	(80,266)
(Loss)/profit on ordinary activities after taxation		(206,733)	160,658
(Loss)/profit for the financial year		(206,733)	160,658
Dividends	9	—	(79,000)
(Loss)/retained profit for the financial year		(206,733)	81,658
Balance brought forward		512,242	430,584
Balance carried forward		305,509	512,242

All of the activities of the company are classed as continuing.

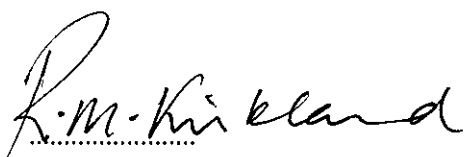
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

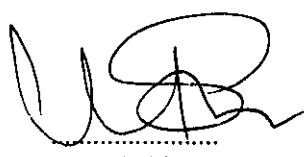
The company has no recognised gains or losses other than the results for the
year as set out above.

QUALITY BUILDING SERVICES LIMITED
BALANCE SHEET
31ST AUGUST 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	10	73,960	101,314
Current assets			
Debtors	11	6,302,919	6,064,010
Cash in hand		500	168
		6,303,419	6,064,178
Creditors: Amounts falling due within one year	12	(6,061,870)	(5,643,250)
Net current assets		241,549	420,928
Total assets less current liabilities		315,509	522,242
Capital and reserves			
Called-up equity share capital	15	10,000	10,000
Profit and loss account		305,509	512,242
Shareholders' funds (equity interests)	16	315,509	522,242

These financial statements were approved by the directors on 24th February 2003 and are signed on their behalf by:


 R M Kirkland


 M S Sheldon

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Related party transactions with group undertakings

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8 not to disclose details of transactions or balances with other group undertakings.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover, which is net of value added tax, represents the value of work done in the year. Full provision is made for any losses which are foreseen.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets by equal annual instalments over their expected useful lives.

The period generally applicable is:

Office equipment	3-5	years
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Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

Pensions

The company contributes to the group defined benefit scheme. The regular pension cost is charged in the profit and loss account and is based on the expected pension costs over the service lives of the employees. Contributions to the pension plan are paid according to the advice of the scheme actuary.

Contributions payable for the year to the group defined contribution scheme are charged in the profit and loss account.

Contract work in progress

In accordance with the group accounting policy, amounts recoverable on contracts, which are included in debtors, are stated at cost less progress payments receivable plus an appropriate amount of profit in the case of long term contracts.

Provisions are made for contingencies and losses incurred or anticipated in bringing contracts to completion.

For contracts where progress payments exceed the book value of work done, the excess is included in creditors as payments on account.

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

Turnover is confined to the United Kingdom.

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2002 £	2001 £
Depreciation	41,237	37,726
Auditors' remuneration	10,000	2,460
Operating lease costs:		
Property	56,640	56,640
Plant	342,876	568,527
	<u>399,753</u>	<u>664,353</u>

4. Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 50 (2001 - 55). The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	1,550,394	1,434,860
Social security costs	121,227	138,177
Other pension costs	71,202	54,779
	<u>1,742,823</u>	<u>1,627,816</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable	<u>58,282</u>	<u>104,923</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002 Number	2001 Number
Defined benefit schemes	<u>1</u>	<u>1</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

6. Interest receivable and similar income

	2002 £	2001 £
Bank interest receivable	—	36,462
Other similar income receivable	8,400	7,000
	<u>8,400</u>	<u>43,462</u>

7. Interest payable

	2002 £	2001 £
Interest payable on bank borrowing	133,831	—
Other similar charges payable	2,916	4,534
	<u>136,747</u>	<u>4,534</u>

8. Tax on (loss)/profit on ordinary activities

(a) Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year	(80,266)	80,266
Total current tax	<u>(80,266)</u>	<u>80,266</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%).

	2002 £	2001 £
(Loss)/profit on ordinary activities before taxation	<u>(286,999)</u>	<u>240,924</u>
Profit/(loss) on ordinary activities by rate of tax	(86,100)	72,277
Expenses not deductible for tax purposes	2,183	6,909
Capital allowances less than depreciation	3,651	1,080
Total current tax (note 8(a))	<u>(80,266)</u>	<u>80,266</u>

The company has surrendered the benefit of tax losses to another group company for a consideration of £2,598,404.

9. Dividends

No dividend has been recommended for the year ended 31st August 2002.

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

10. Tangible fixed assets

	Office Equipment £
Cost	
At 1st September 2001	195,607
Additions	13,883
At 31st August 2002	<u>209,490</u>
Depreciation	
At 1st September 2001	94,293
Charge for the year	41,237
At 31st August 2002	<u>135,530</u>
Net book value	
At 31st August 2002	<u>73,960</u>
At 31st August 2001	<u>101,314</u>

11. Debtors

	2002 £	2001 £
Trade debtors	2,240,509	3,426,250
Amounts owed by group undertakings	2,034,433	1,510,297
Corporation tax repayable	80,266	—
Amounts recoverable on contracts	1,800,545	1,106,202
Other debtors	134,144	2,452
Prepayments and accrued income	13,022	18,809
	<u>6,302,919</u>	<u>6,064,010</u>

12. Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank overdraft (secured)	1,732,799	381,849
Payments received on account	1,432,306	629,430
Trade creditors	2,768,329	4,145,313
Amounts owed to group undertakings	78,725	120,354
Corporation tax	—	80,266
Other taxes and social security	35,202	144,791
Dividends payable	—	79,000
Accruals and deferred income	14,509	62,247
	<u>6,061,870</u>	<u>5,643,250</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

13. Commitments under operating leases

At 31st August 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2002	2001
	£	£
Operating leases which expire:		
After more than five years	<u>33,040</u>	<u>56,640</u>

14. Contingencies

The group operates a pooled facility at its bank. Although overall there were no bank borrowings under the facility at 31st August 2002, certain subsidiaries had an overdraft.

Unlimited multilateral bank guarantees have been given by Bowmer & Kirkland Limited, the company and certain other subsidiary companies to secure these overdrafts.

At 31st August 2002 the company, together with its parent undertaking and other principal trading subsidiary undertakings, had given guarantees in respect of contract related performance bonds arising in the normal course of business of the company and the group.

15. Share capital

Authorised share capital:

	2002	2001
	£	£
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	<u>10,000</u>	<u>10,000</u>

16. Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
(Loss)/profit for the financial year	(206,733)	160,658
Dividends	—	(79,000)
	<u>(206,733)</u>	<u>81,658</u>
Opening shareholders' equity funds	522,242	440,584
Closing shareholders' equity funds	<u>315,509</u>	<u>522,242</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002

17. Pension commitments

	2002 £	2001 £
Contributions to defined benefit pension scheme	67,737	54,779
Contributions to defined contribution pension scheme	3,465	—
	<u>71,202</u>	<u>54,779</u>

The company pays contributions to The Bowmer & Kirkland Group Pension and Life Assurance Scheme which is a funded defined benefit pension scheme. It is not possible to identify the company's share of the underlying assets and liabilities of the scheme and therefore disclosures required under Statement of Standard Accounting Practice 24 and Financial Reporting Standard 17 are given in the accounts of the parent company, Bowmer and Kirkland Limited.

The company also contributes to a group defined contribution pension scheme.

18. Ultimate parent company

The company is a wholly owned subsidiary of Bowmer & Kirkland Limited. The directors regard Bowmer & Kirkland Limited as the ultimate parent company.